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## The Problem with a \$15 Minimum Wage in America

An Express Employment Professionals White Paper

"I believe people calling for a higher minimum have the very best intentions. Unfortunately, when the government tries to raise wages artificially, some people will win, but many more people will lose."

– Bob Funk, CEO and Chairman of the Board  
Express Employment Professionals

# RIGHT QUESTIONS, WRONG ANSWERS: A \$15 Minimum Wage

Express Employment Professionals is on a mission to put people to work. But we not only find people jobs, we also want to help them seize opportunities to increase their earnings. It is our commitment to these goals that leads us to believe so strongly in the importance of the ongoing minimum wage debate.

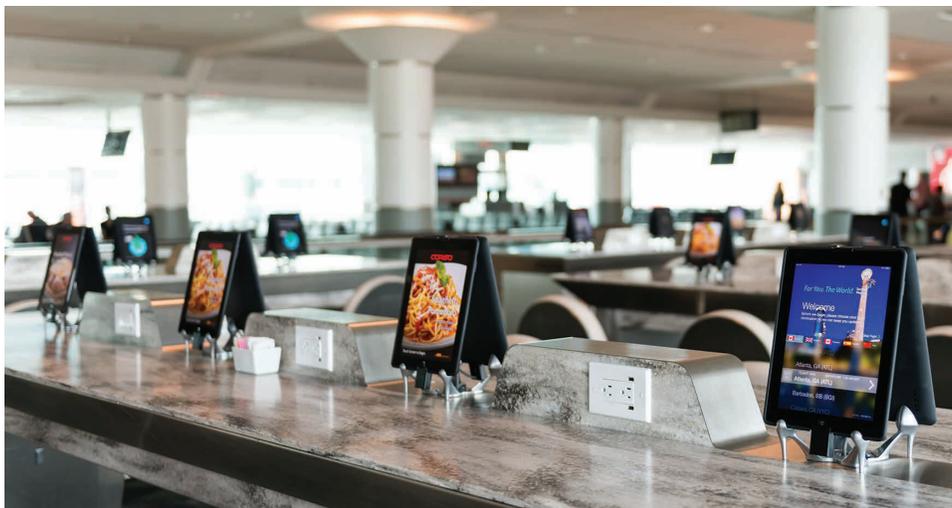
As experts with real-world, day-to-day experience in the labor market, we urge advocates of a \$15 minimum wage to seriously consider the consequences. From our view, it is a policy with good intentions that could have devastating consequences for many workers, particularly the young and unskilled.

Families are feeling the effects of wage stagnation, so it's no surprise activists have mobilized. Politicians have seized the issue. And coast-to-coast, calls for a \$10 minimum wage were replaced by calls for a \$12 minimum wage. Now a \$15 minimum wage, the equivalent of \$30,000 a year<sup>1</sup>, is the rallying cry. Cities and states have begun debating and implementing this higher wage, some immediately, some incrementally.

Is this really the solution we need? Is a \$15 minimum wage, more than double the current federal minimum wage of \$7.25, the right way to lift incomes?

If the minimum wage increased so dramatically, we would love to tell the job seekers coming through our doors that their earnings will go up and they will all get hired. But we shudder at the prospect of having to report that jobs in their region or their field have become scarce—because companies cannot afford to hire, decided to downsize or because jobs once done by humans are now done by automation.

As experts with real-world, day-to-day experience in the labor market, we urge advocates of a \$15 minimum wage to seriously consider the consequences.



*iPads replace servers at an airport food court.*

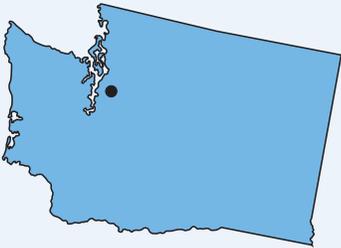
A government-mandated wage increase means some people will see a raise. Others will see pink slips. Some won't even get a chance to be hired in the first place. And everyone will feel the impact in the form of higher prices.

We live and breathe the job market every day. We know why companies hire. We know why they cut back. We employ more than 500,000 people each year, including nearly 34,000 who are paid the minimum wage. We know the frustration businesses—our clients—are already facing and the future challenges they dread.

Let's give America a raise. The best way to do it is by growing the economy, not trying to control it.

# ASK THE EXPERTS ON “MAIN STREET”

Across the country, Express owners and operators work every day to match jobs with job seekers. They understand the real world consequences of the regulatory policies debated in Washington, D.C. and state capitals. So we asked the experts, and their predictions of the effects of a minimum wage hike are anything but encouraging.<sup>2</sup>



## JAKE DOMER

*Owner, Express Employment Professionals  
Bellevue, Washington*

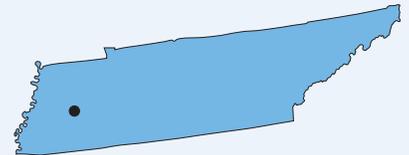
“Any type of artificial or arbitrary wage shift is fundamentally bad for our community. Since the [increased] minimum wage went into effect in Seattle, the jobs available in those job classes where the wage increase occurred have actually decreased. This is most likely due to jobs leaving, as well as many efforts at automation where possible. You will see a lot of iPads and self-ordering taking place instead of servers around town.

A higher minimum wage might pull more ‘permanently unemployed’ [people] off of the sidelines, but most likely will be counterbalanced by a reduction in the number of jobs available.”

## RONNIE MORRIS

*Owner, Express Employment Professionals  
Jackson, Tennessee*

“Pay scales for every position above entry level will have to be raised in order to retain talent. This means more money allocated toward payroll which I believe would result in reduced health benefits, fewer workers, a rapid increase in robotics to replace people wherever possible, and businesses searching for friendlier environments.



A raise to \$15 would be a windfall for those lucky enough to keep their jobs, but many will lose their jobs over time as businesses make adjustments or eliminate positions. I believe many businesses will simply pass increased costs to the consumer, meaning retail prices for everything will eventually go up.”



## JOHN CALABRESE

*Owner, Express Employment Professionals  
Utica/Rome, New York*

A \$15 minimum wage would “have a negative impact on our service and manufacturing sectors. It would place tremendous pressure on these businesses at a time when we are seeing nice, steady growth in their industries.

Employers will adjust wages to remain competitive in their markets and as economies improve. Mandating future wage levels without knowing what the economy will look like in a region or area can be very dangerous. Politicians should think hard about what this would mean for the job market in the areas they represent.”

# ASK THE EXPERTS ON “MAIN STREET”



## DANIEL MORGAN

*Owner, Express Employment Professionals  
Birmingham, Alabama*

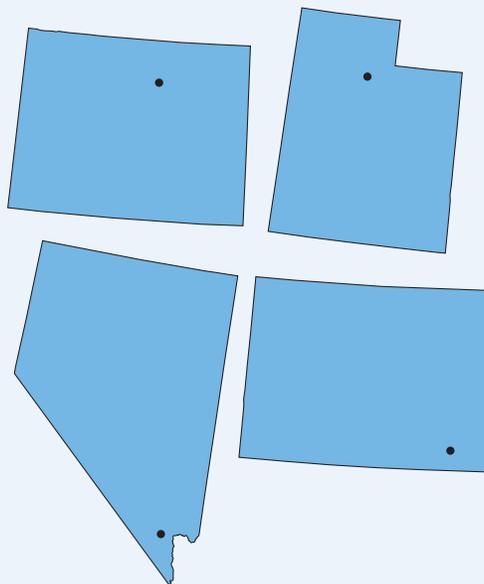
“Increasing the minimum wage to \$15 an hour would be a disaster. I think it will have the greatest harm to small businesses, low wage workers and the middle class.”

## LESLIE HACKETT

*Franchise Developer, Express Employment Professionals  
Denver, Colorado; Salt Lake City, Utah;  
Las Vegas, Nevada; Cheyenne, Wyoming*

“Consumer costs are surely going to rise in response to these pay increases. The government needs to stay out of business, and allow the business community to respond as needed.

Small businesses will likely cut jobs to afford it, while larger businesses will continue to move work offshore. This move is clearly one made by legislatures living in a vacuum with little to no insight for the wave of problems this action would trigger.”



## ASK BOB FUNK

*CEO and Chairman of the Board, Express Employment Professionals*

“People deserve a raise, and the best way to provide it is through a growing economy where workers are in high demand. Unfortunately, when the government tries to raise wages artificially, some people will win, but many will lose.

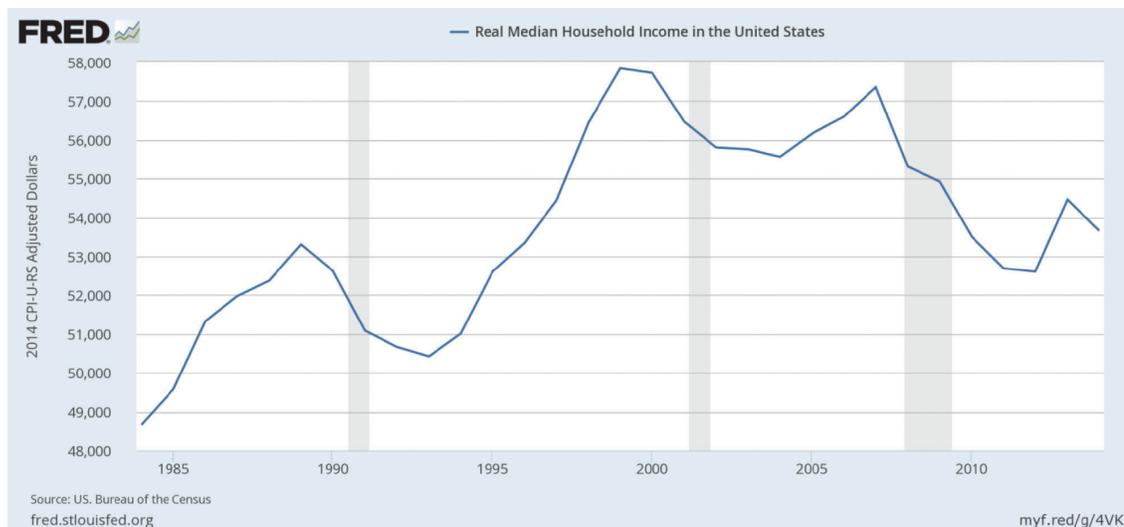
I think people calling for a higher minimum wage have the very best intentions. But I'd encourage policymakers to spend their energies finding ways to unleash economic growth that will create more opportunities for everyone instead of artificially raising incomes for a lucky few.”

# HOW DID WE GET HERE?

It is not surprising that many have called for an increase in the minimum wage. The sputtering economy has not been kind to working families hoping to increase their earnings significantly. By 2014, the last year for which the Census Bureau has data, median household income still was not as high as pre-recession levels.<sup>3</sup>

While household income reached more than \$57,000 before the recession—almost an all-time high—it has fallen since. In other words, the median American family was making more in the late 1990s than they are today.

**FIGURE 1: REAL MEDIAN HOUSEHOLD INCOME IN THE UNITED STATES<sup>4</sup>**



More recently, wages have begun to trend upward, but according to David Leonhardt, a New York Times managing editor and economic writer, that wage growth is “long overdue.”<sup>5</sup>

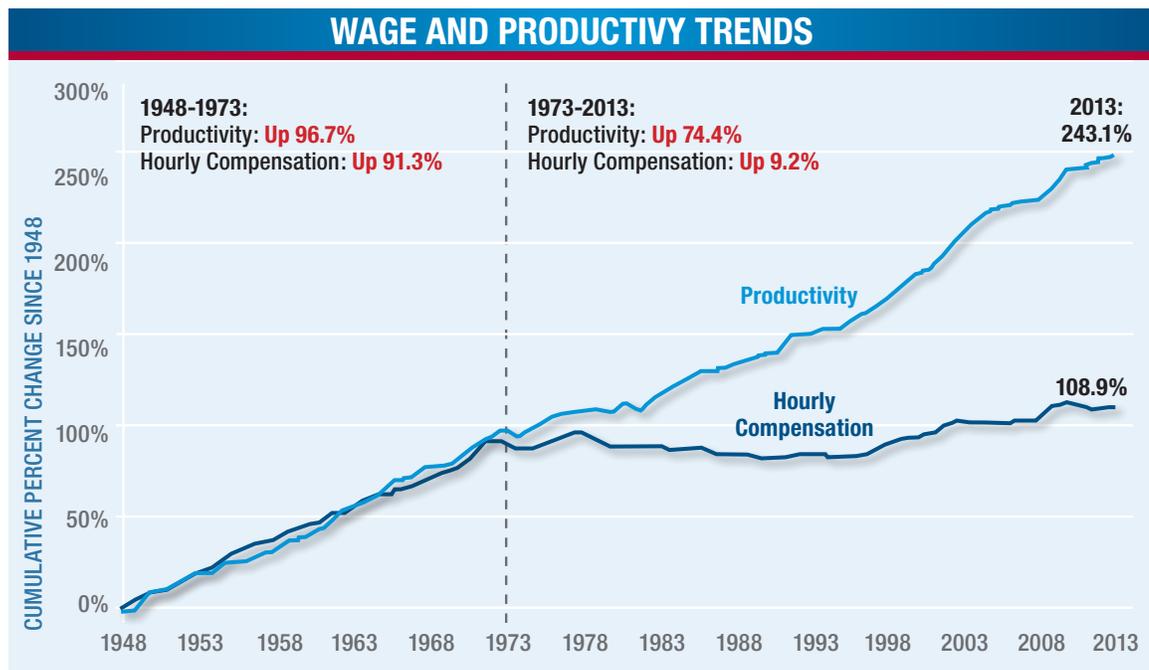
No wonder people are marching for a \$15 minimum wage. Even families that do not include minimum wage workers can identify with the frustration of feeling like they are working more and making less.

That is certainly part of the story. An analysis from the left-leaning Economic Policy Institute, using data from the Bureau of Labor Statistics and Bureau of Economic Analysis, shows that even though worker productivity in the United States has increased significantly in the last four decades, wages have not followed suit.<sup>6</sup> Productivity was up 74.4 percent from 1973 to 2013, but wages were up only 9.2 percent.<sup>7</sup>

In a recent report by the U.S. Census Bureau, wages jumped in 2015 following years of stagnation. The first annual increase in median income for family households since 2007 saw inflation-adjusted wages for women exceed their pre-recession levels in 2015, rising 2.7 percent, while the 1.5 percent increase in men’s earnings leaves them just 0.7 percent down from 2007 levels.<sup>8</sup>

No wonder people are marching for a \$15 per hour minimum wage. Even families that do not include minimum wage workers can identify with the frustration of feeling like they are working more and making less.

FIGURE 2: WAGE AND PRODUCTIVITY TRENDS, 1948-2013<sup>9</sup>



Combine this with the growing concerns of inequality, and why wouldn't workers call for a raise?

At Express, we recognize and understand the frustration. But the presence of a problem does not mean that any proposed solution is the right one. In fact, the minimum wage was actually higher in the 1970s, in real dollars, than today, and yet we still see the divergence in productivity and compensation.<sup>10</sup>

From our perspective, the best answer is not to raise wages artificially, but to get the economy growing faster and improving workers' skills so that the market rewards them with higher wages—without hurting job opportunities for others.

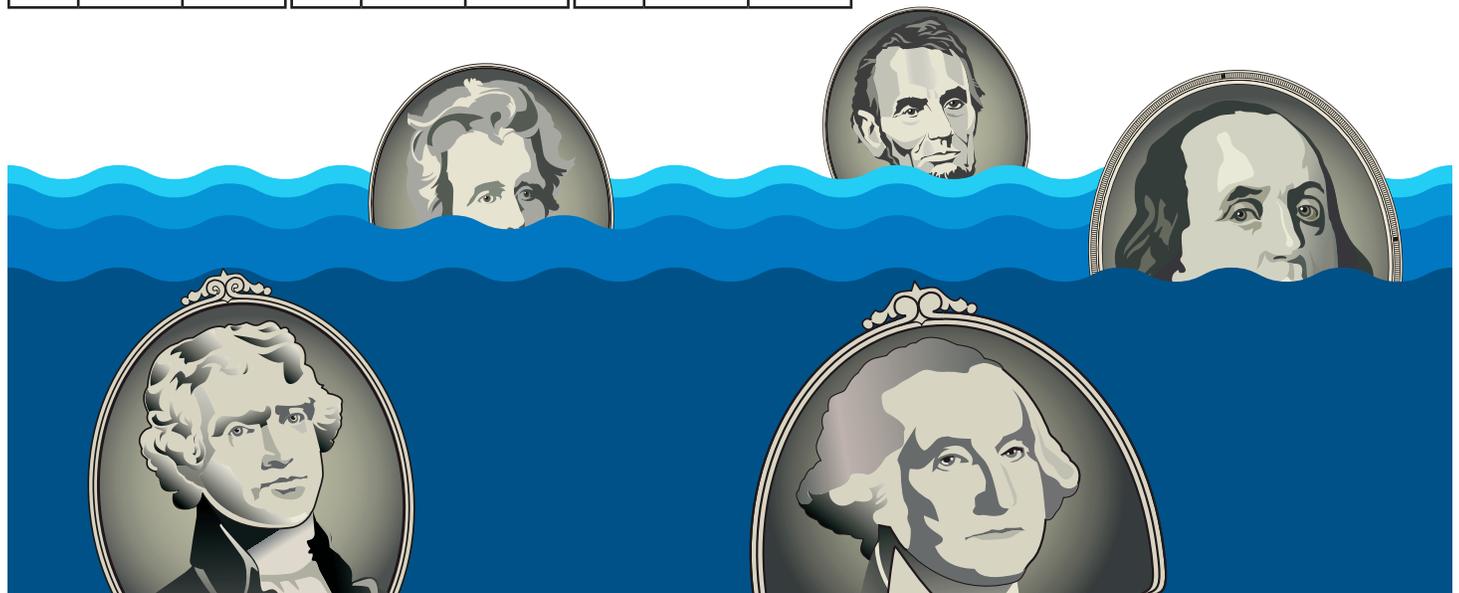
**The presence of a problem does not mean that any proposed solution is the right one.**

# A SHORT HISTORY LESSON

The federal minimum wage was first established in 1938 at a rate of 25 cents per hour. That equates to about \$3.98 in 2012 dollars, or about 55 percent of the current \$7.25 minimum wage.<sup>11</sup> Throughout the years the rate has fluctuated, and it has not always kept up with inflation.

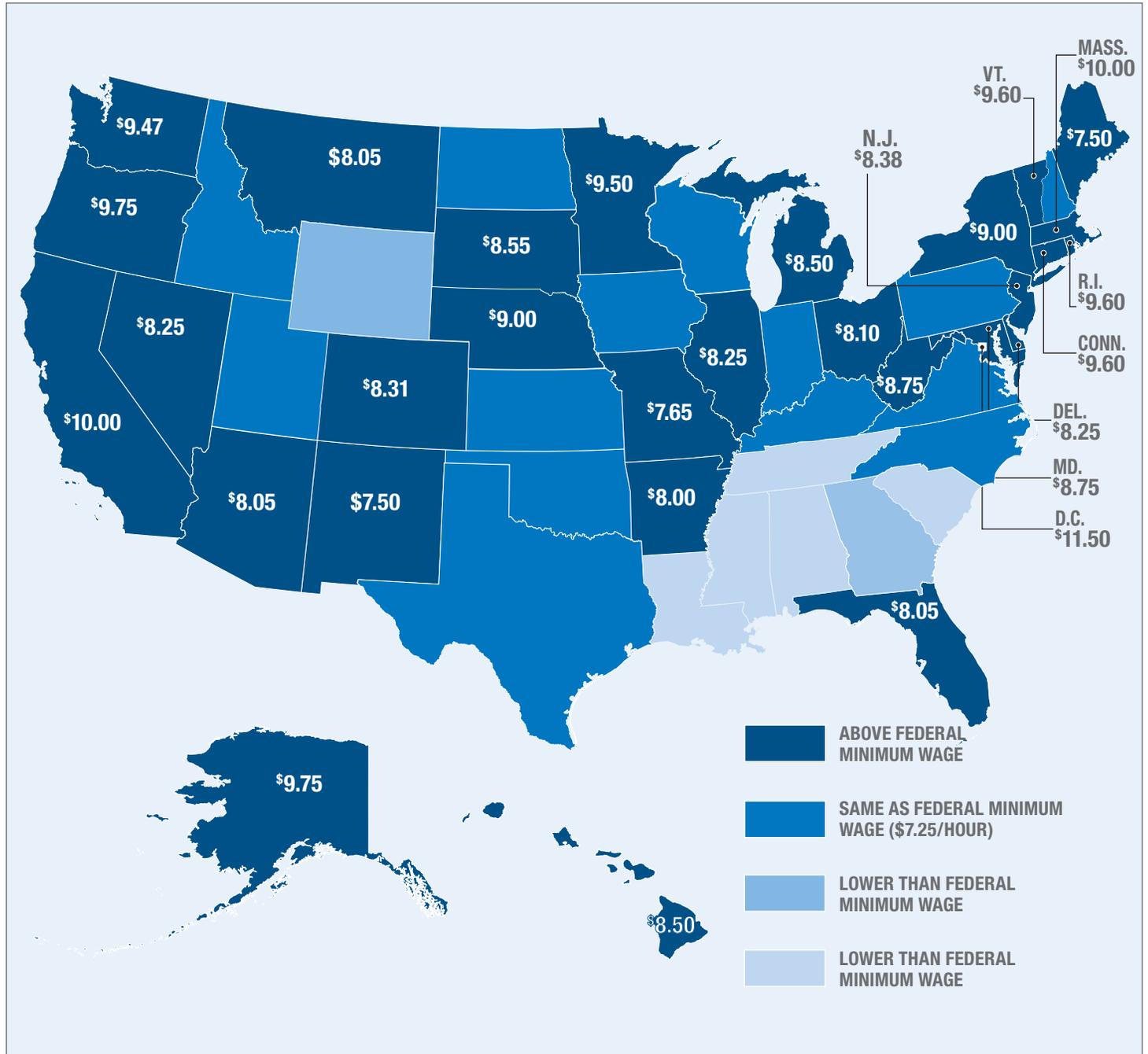
**FIGURE 3: MINIMUM WAGE 1938-2012, U.S. DEPARTMENT OF LABOR<sup>12</sup>**

| MINIMUM WAGE 1938-2012 |                      |                              |      |                      |                              |      |                      |                              |      |                      |                              |
|------------------------|----------------------|------------------------------|------|----------------------|------------------------------|------|----------------------|------------------------------|------|----------------------|------------------------------|
| Year                   | Nominal Minimum Wage | Minimum Wage In 2012 Dollars | Year | Nominal Minimum Wage | Minimum Wage In 2012 Dollars | Year | Nominal Minimum Wage | Minimum Wage In 2012 Dollars | Year | Nominal Minimum Wage | Minimum Wage In 2012 Dollars |
| 1938                   | \$0.25               | \$3.98                       | 1957 | \$1.00               | \$7.99                       | 1976 | \$2.30               | \$9.10                       | 1995 | \$4.25               | \$6.42                       |
| 1939                   | \$0.30               | \$4.85                       | 1958 | \$1.00               | \$7.77                       | 1977 | \$2.30               | \$8.54                       | 1996 | \$4.75               | \$6.97                       |
| 1940                   | \$0.30               | \$4.81                       | 1959 | \$1.00               | \$7.72                       | 1978 | \$2.65               | \$9.14                       | 1997 | \$5.15               | \$7.39                       |
| 1941                   | \$0.30               | \$4.59                       | 1960 | \$1.00               | \$7.59                       | 1979 | \$2.90               | \$8.97                       | 1998 | \$5.15               | \$7.30                       |
| 1942                   | \$0.30               | \$4.14                       | 1961 | \$1.15               | \$8.64                       | 1980 | \$3.10               | \$8.46                       | 1999 | \$5.15               | \$7.14                       |
| 1943                   | \$0.30               | \$3.90                       | 1962 | \$1.15               | \$8.56                       | 1981 | \$3.35               | \$8.29                       | 2000 | \$5.15               | \$6.90                       |
| 1944                   | \$0.30               | \$3.83                       | 1963 | \$1.25               | \$9.18                       | 1982 | \$3.35               | \$7.82                       | 2001 | \$5.15               | \$6.72                       |
| 1945                   | \$0.40               | \$5.00                       | 1964 | \$1.25               | \$9.06                       | 1983 | \$3.35               | \$7.59                       | 2002 | \$5.15               | \$6.62                       |
| 1946                   | \$0.40               | \$4.62                       | 1965 | \$1.25               | \$8.67                       | 1984 | \$3.35               | \$7.34                       | 2003 | \$5.15               | \$6.48                       |
| 1947                   | \$0.40               | \$4.02                       | 1966 | \$1.25               | \$8.92                       | 1985 | \$3.35               | \$7.09                       | 2004 | \$5.15               | \$6.31                       |
| 1948                   | \$0.40               | \$3.74                       | 1967 | \$1.40               | \$9.43                       | 1986 | \$3.35               | \$6.98                       | 2005 | \$5.15               | \$6.10                       |
| 1949                   | \$0.40               | \$3.77                       | 1968 | \$1.60               | \$10.34                      | 1987 | \$3.35               | \$6.74                       | 2006 | \$5.15               | \$5.91                       |
| 1950                   | \$0.75               | \$7.01                       | 1969 | \$1.60               | \$9.81                       | 1988 | \$3.35               | \$6.48                       | 2007 | \$5.85               | \$6.53                       |
| 1951                   | \$0.75               | \$6.50                       | 1970 | \$1.60               | \$9.28                       | 1989 | \$3.35               | \$6.18                       | 2008 | \$6.55               | \$7.02                       |
| 1952                   | \$0.75               | \$6.35                       | 1971 | \$1.60               | \$8.89                       | 1990 | \$3.80               | \$6.66                       | 2009 | \$7.25               | \$7.82                       |
| 1953                   | \$0.75               | \$6.31                       | 1972 | \$1.60               | \$8.60                       | 1991 | \$4.25               | \$7.16                       | 2010 | \$7.25               | \$7.67                       |
| 1954                   | \$0.75               | \$6.28                       | 1973 | \$1.60               | \$8.10                       | 1992 | \$4.25               | \$6.96                       | 2011 | \$7.25               | \$7.40                       |
| 1955                   | \$0.75               | \$6.31                       | 1974 | \$2.00               | \$9.12                       | 1993 | \$4.25               | \$6.77                       | 2012 | \$7.25               | \$7.25                       |
| 1956                   | \$1.00               | \$8.29                       | 1975 | \$2.10               | \$8.78                       | 1994 | \$4.25               | \$6.60                       |      |                      |                              |



Twenty-nine states and the District of Columbia, however, have established their own minimum wages, which supersede the federal rate. Some states and localities have now even established minimum wages of \$15 an hour or enacted plans to phase a \$15 wage in over a number of years. From their experience, we can gain a few important lessons.

**FIGURE 4:**  
**THE 29 STATES AND THE DISTRICT OF COLUMBIA WITH MINIMUM WAGES ABOVE THE FEDERAL RATE, AUGUST 2016<sup>13</sup>**



At the federal level, the focus on the minimum wage has only produced debate and discussion. Lawmakers at the state and local level, however, have acted—at times in dramatic fashion.<sup>14</sup> The National Conference of State Legislatures summarizes some of the highlights from 2016 alone.

## State Level Action on the Minimum Wage, 2016

*Originally published by the National Conference of State Legislatures<sup>15</sup>*

- New York became the second state to pass a new law that would raise the minimum wage in New York City to \$15 per hour by the end of 2018. Washington D.C. followed suit, enacting a law to raise the minimum wage in the District to \$15 per hour by July 1, 2020.
- On April 4, California Gov. Jerry Brown signed Senate Bill 3 into law. The new law increases the minimum wage to \$15 per hour by Jan. 1, 2022, for employers with 26 or more employees. For employers with 25 or fewer employees the minimum wage will reach \$15 per hour by Jan. 1, 2023. Increases may be paused by the governor if certain economic or budgetary conditions exist. After the minimum wage reaches \$15 per hour for smaller employers in 2023, the minimum wage is indexed annually for inflation.
- On March 2, Oregon Gov. Kate Brown signed SB 1532 into law. It establishes a series of annual minimum wage increases from July 1, 2016 through July 1, 2022. Beginning July 1, 2023, the minimum wage rate will be indexed to inflation based on the Consumer Price Index.
- Fourteen states begin 2016 with higher minimum wages. Of those, 12 states increased their rates through legislation passed in the 2014 or 2015 sessions, while two states automatically increased their rates based on the cost of living.
- Of the 11 states that currently tie increases to the cost of living, eight did not increase their minimum wage rates for 2016. Colorado provided for an 8-cent increase and South Dakota granted a 5-cent increase per hour. Increases in Nevada are required to take effect in July.
- Maryland, Minnesota and Washington, D.C. have additional increases scheduled for 2016. Nevada will announce in July 2016 whether or not there will be a cost of living increase to their indexed minimum wage.

# THE UNINTENDED CONSEQUENCES

To listen to advocates of raising the minimum wage to \$15, the case sounds pretty simple: People making less than \$15 an hour now will get a raise and have an easier time providing for their families. End of story.

But research and experience show it is not that simple. To understand the unintended consequences, it is first helpful to know who is most likely to be a minimum wage worker.

According to the most recent Bureau of Labor Statistics Analysis in 2015:

- About one-half of workers receiving the federal minimum wage or less are under age 25.
- About 2 percent of workers age 25 and older were earning the federal minimum wage or less.
- There is little difference among race and ethnicity groups.
- About 6 percent of hourly workers without a high school degree earned the minimum wage, compared with about 2 percent of college graduates.<sup>16</sup>

Over time, the increase in the wage will most likely lead to an increase in the costs of goods and services. Those cost increases will be felt by everyone, but particularly minimum wage earners. Any increase in the price of the goods and services they buy on a regular basis will eat into their higher wages, diminishing the boost they get from a minimum wage hike.

## The Young and the Jobless

With those facts in mind, if a minimum wage increase forces some people out of the workforce, young people are likely to be disproportionately hit. For some, this could mean more trouble finding their first job, that important first rung on the ladder of personal advancement, making it harder to climb higher.

Indeed, some researchers have found that increasing the minimum wage by 10 percent can lead to a decrease in teen employment rates of one to two percent.<sup>17</sup> Unfortunately the least skilled workers are also the most likely to be hardest hit.<sup>18</sup>

Like many ideas that sound too good to be true, a minimum wage increase of this amount really is too good to be true. We hope elected leaders will listen to those on the front-lines of the job market and make economic growth that helps everyone the top priority, rather than policies that help a few.

## Now Hiring: Robots

Darren Tristano is president of Technomic, a research group “focused on the restaurant industry.” He says raising the wage will “signal to tech companies and entrepreneurs” to look for new opportunities in the food service business—in other words, opportunities to replace waiters, servers and cashiers with computers.<sup>19</sup>

John Graham, a professor of finance at Duke University, predicts, “If the cost of labor were to increase (due to a minimum wage hike) that will quicken the pace away from labor toward machines.”<sup>20</sup>

The fast-food industry has been the focus for many minimum wage advocates. But the affect on fast-food workers may not be what they hope. Ed Rensi, the former President and CEO of McDonald’s USA, explains in a Forbes opinion piece:

“Let’s do the math: A typical franchisee sells about \$2.6 million worth of burgers, fries, shakes and Happy Meals each year, leaving them with \$156,000 in profit....For some locations, a \$15 minimum wage wipes out their entire profit.

“Recouping those costs isn’t as simple as raising prices ... In the real world, our industry customers are notoriously sensitive to price increases ... Instead, franchisees can absorb the cost with a change that customers don’t mind: The substitution of a self-service computer kiosk for a a full-service employee.”<sup>21</sup>

There’s good reason to believe Rensi. In other countries where wages are higher, companies have embraced models that involve higher prices, more automation, or both.<sup>22</sup>

“I can assure you that a \$15 minimum wage won’t spell the end of the brand. However it will mean wiping out thousands of entry-level opportunities for people without many other options.”

– Ed Rensi, former president and CEO, McDonald’s USA<sup>23</sup>

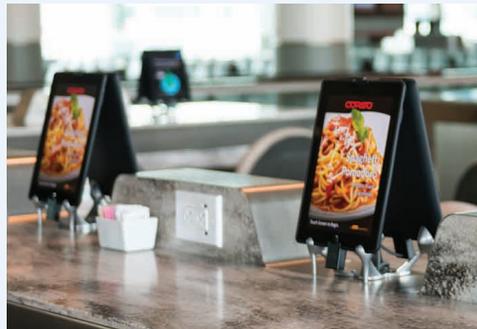
## The Rise of the iWaiter

If you’ve flown through major airports recently, you may have noticed a growing trend: the seating areas at restaurants and food courts are all equipped with tablets. And those tablets are ready to take your order.

With a few taps you pick your food and drink, then swipe your card. Soon, a server drops off your food, and that will likely be the one and only time you see him or her. Even some full-service restaurants have equipped their tables with tablets, minimizing server-diner interactions, and minimizing jobs.

What does this mean for workers?

Imagine a restaurant with 20 tables, each seating four people. Say it takes about four waiters serving five tables each. The waiters make multiple trips to the table—to greet customers, take drink orders, deliver drink orders, take food orders, deliver food orders, ask about dessert, bring the check, pick up the payment, and bring back the receipt.



Now imagine that restaurant, under pressure from rising costs, decides to install tablets. The devices do the order taking and payment transactions. All that’s left for the waiter is the food delivery.

Now 20 tables can be served by two waiters. The restaurant pays half as much in wages. The remaining two servers rake in more tips by serving more tables, but the other two servers are out of a job. What’s more, fewer job openings will exist as other restaurants shift to this model.

Automation is already happening; increasing the cost of hiring people by raising the minimum wage will accelerate it. It’s good news for some, but bad news for others.

## From Now Hiring to Not Hiring

We cannot be 100 percent sure of the magnitude of job loss or displaced workers from a minimum wage increase, but researchers have spent countless hours doing their best to provide an estimate.

One study from the American Action Forum and former Congressional Budget Office director Douglas Holtz-Eakin found that “a \$15-per-hour minimum wage could mean the loss of 6.6 million jobs.”<sup>24</sup>

Perhaps more surprisingly, given conventional assumptions about minimum wage workers, they also concluded that “only 6.7 percent [of the increased wages] would go to families in poverty.”<sup>25</sup>

The Congressional Budget Office also found in 2014 that increasing the minimum wage to just \$10.10, as President Obama had proposed, would “reduce total employment by 500,000 workers.”<sup>26</sup>

**“A \$15-per-hour minimum wage could mean the loss of 6.6 million jobs.”**

– Lawrence Mone, President of the Manhattan Institute for Policy Research, explaining the results of a study from Doug Holtz-Eakin and Ben Gitis of the American Action Forum<sup>27</sup>

## It’s Complicated

Automation. Displaced workers. Reduced opportunity. Unemployed youth. The potential consequences do not end there.

Small businesses with tight profit margins could be pushed over the edge if they cannot absorb the cost of higher wages through higher prices or smaller payrolls.

Some people may feel compelled to employ people off the books, paying them lower wages under the table, which could create a whole host of other tricky legal issues.

At Express, we will not go so far as to say every one of these consequences is a foregone conclusion. Other economic forces, such as global instability or uncertainty here at home, could exacerbate these problems—or a surge in consumer confidence and economic growth could partially mitigate these concerns.

But the bottom line is this: The effects of raising the minimum wage are not as straightforward or positive as its proponents would have us believe. At the end of the day, we have to weigh giving a raise to some versus giving a pink slip to others.

# SURVEY SAYS

We have laid out what those on the front lines think and what some economic experts think, but what about other players in this debate?

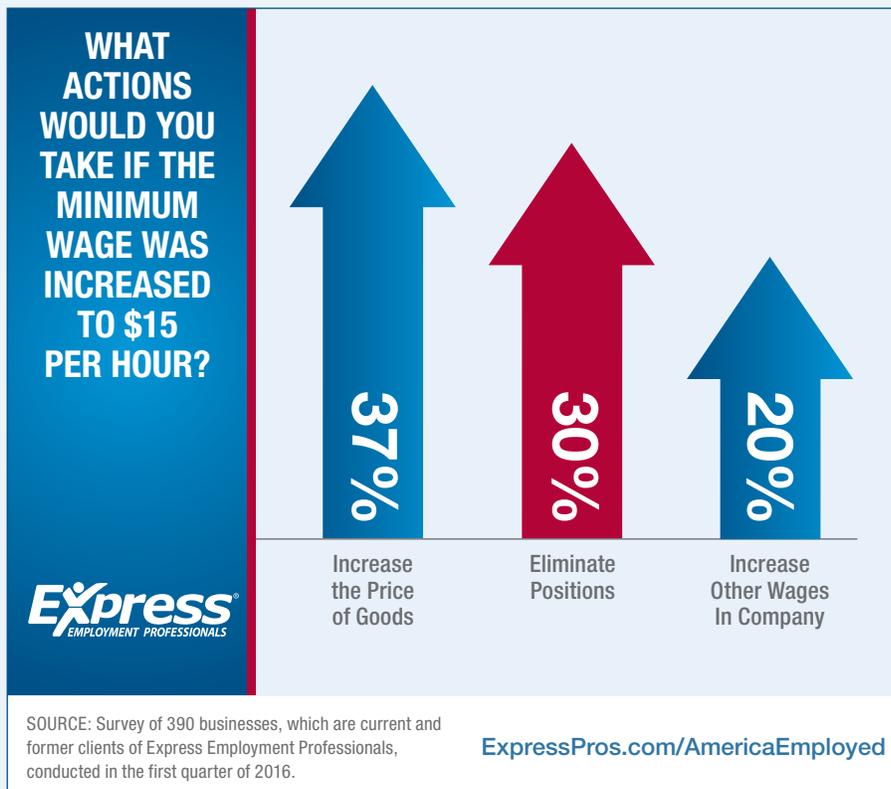
What about businesses? What about the unemployed? What about the American public?

## What Do Businesses Say?

Express conducted a business survey earlier this year to get business leaders' take on the minimum wage. Respondents were asked, "What actions would you take if the minimum wage increased to \$15 an hour?"

More than a third (37 percent) said they would increase the price of goods or services, and 30 percent said they would eliminate positions. On the other hand, 20 percent reported that they would increase other wages in their companies.

Of those surveyed, 18 percent pay the current minimum wage for some positions, while 82 percent do not.



The survey of 390 businesses in the United States and Canada that are current and former clients of Express Employment Professionals was conducted in the first quarter of 2016.<sup>28</sup>

## What Do the Unemployed Say?

Working with Harris Poll, Express fielded an extensive survey of the unemployed\* in May 2016.<sup>29</sup>

Respondents were asked to weigh in on the idea of raising the minimum wage to \$15 per hour and its impact on the number of available jobs.

Even though minimum wage jobs may be available, the majority of the unemployed do not apply for them. Sixty-six percent agree with the statement “I don’t apply for jobs that offer minimum wage because it’s just not enough to pay the bills.”

- 20 percent say they agree “completely”
- 12 percent agree “a lot”
- 17 percent agree “somewhat”
- 17 percent agree “a little”
- 34 percent do not agree at all

Respondents were also asked to weigh in on the idea of raising the minimum wage to \$15 per hour and its impact on the number of available jobs.

- 20 percent said it would create more jobs
- 27 percent said it would have no impact
- 52 percent said it would decrease the number of jobs

\*This study was conducted online by Harris Poll on behalf of Express Employment Professionals and included 1,513 U.S. adults aged 18 or older who are unemployed but capable of working (whether or not they receive unemployment compensation benefits). Excluded are those who are currently retired, choose to stay at home or are unable to work due to long-term disability. The survey was conducted between May 5 and May 17, 2016.

## What Does the Country Say?

Public polling on the issue is mixed. While most Americans favor a modest increase, fewer are supportive of an increase all the way to \$15.

For example, an April 2016 poll conducted by YouGov.com for the Huffington Post found that 66 percent would favor raising the minimum wage to \$10.10 an hour, and 59 percent would favor raising it to \$12 an hour. But less than half, 48 percent, favor raising it to \$15 an hour versus not raising it all.<sup>30</sup>

If given the choice of getting rid of the minimum wage, keeping it as is, or raising it to one of those three levels, 30 percent say that raising the wage to \$15 is the proposal they “most support.”

## CASE STUDY: SEATTLE

In 2014, Seattle enacted a new \$15 minimum wage, set to go into effect gradually by 2017. Even though the policy is not yet fully in place—the wage was up to \$11 last year—Seattle has provided a good case study for researchers interested in the observable effects of a substantial wage increase.

The city itself commissioned a study, but municipal leaders may not be pleased with what researchers at the University of Washington found. Compared to what the city’s economic picture would have looked like without the higher wage, fewer workers were employed and those who were employed were given fewer hours.<sup>31</sup>

Workers were earning more, but, in the report’s words that was “largely because of the strong regional economy.”

“Seattle’s low wage workers,” they observed, “would have experienced almost equally positive trends if the minimum wage had not increased. Although the minimum wage clearly increased wages for this group, offsetting effects on low-wage worker hours and employment muted the impact on labor earnings.”<sup>32</sup>

The researchers concluded that Seattle workers, compared to workers in other regions, are now slightly less likely to secure employment.

In their words, “The major conclusion one should draw” is this: “The Seattle Minimum Wage Ordinance worked as intended by raising the hourly wage rate of low-wage workers, yet the unintended, negative side effects on hours and employment muted the impact on labor earnings.”<sup>33</sup>

That is to say, in this recent real-world case study, there were quantifiable negative consequences of raising the minimum wage, and the positive developments observed were likely to happen anyway thanks to a stronger regional economy. Economic progress may have been better for workers, in fact, without the minimum wage increase.<sup>35</sup> Or, as the Foundation for Economic Education put it, “Seattle’s minimum wage hike didn’t help low-wage workers.”<sup>36</sup>

It will be instructive to continue watching how the policy plays out in Seattle—and in other cities and states—in the coming months and years.



# CONCLUSIONS:

There is no denying that momentum is growing for increasing the minimum wage. Just a couple years ago a \$15 minimum wage was unthinkable. Today, the nation's largest and third-largest states by population, California and New York, have enacted \$15 minimum wage laws.

Meanwhile, the debate continues at the federal level and in many other states. Our recommendations for policymakers are straightforward:

## 1. Pay attention to the unintended consequences.

Think about the entrepreneurs and small business owners who will struggle to hire. Think about the workers who will see their hours cut or their jobs replaced by automation. Think about the young person who will miss out on that formative early work experience because no job was available for them.

## 2. Avoid cookie-cutter solutions.

In a country as diverse as ours, one size does not fit all. Resist the temptation to assume what's good for New York is good for Texas.

## 3. Focus on growth, and wages will follow.

As the Seattle study indicated, a strong local economy helped lift wages, mitigating some of the negative consequences of a higher minimum wage law. If we get the economy growing faster across the country, we can secure jobs for more workers and then increase wages as the demand for labor rises.

## 4. Learn the lessons of early adopters.

In the coming years, more states and municipalities will have a \$15 minimum wage in effect. Those without should watch closely. What are the negative consequences? Would the economy be stronger without the higher wage? Are businesses relocating—or are they adapting well? Are other factors masking the consequences, good or bad? How have small businesses, the backbone of the U.S. economy, responded to the change?

## 5. Develop our workforce.

Workers without skills are at a disadvantage in the modern economy and are most susceptible to job loss and most likely to work for minimum wage. Our economic and education policies should focus on equipping these workers with in-demand skills. That will not only improve their employability but also their potential to earn more for their families, regardless of minimum wage laws.

A government mandated minimum wage of \$15 per hour (or \$30,000 on an annual full-time basis) is a mistake because it will hurt the very people it intends to help. Too many people will not get hired or their jobs will be eliminated if a national \$15 minimum wage is enacted.

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